

Compliance Systems at SMFG

Basic Compliance Policies

As a financial services group offering a multiplicity of products and services, SMFG is intensifying its efforts to maintain high standards of compliance to carry out its mission as an important part of the nation's public infrastructure and fulfill its social responsibilities. Through these efforts, SMFG is becoming a truly outstanding global corporate group.

At SMFG, we have positioned compliance as one of the principal supports of our Business Ethics (please refer to page 52), which serve as the basic principles for fulfilling our corporate social responsibility (CSR). Accordingly, we regard strengthening our compliance systems as one of our top management priorities.

Group Management from a Compliance Perspective

As a financial holding company, SMFG seeks to maintain and enhance systems for providing appropriate direction, guidance, and monitoring for the compliance and related systems of Group companies to ensure the sound and proper conduct of business activities throughout the entire Group.

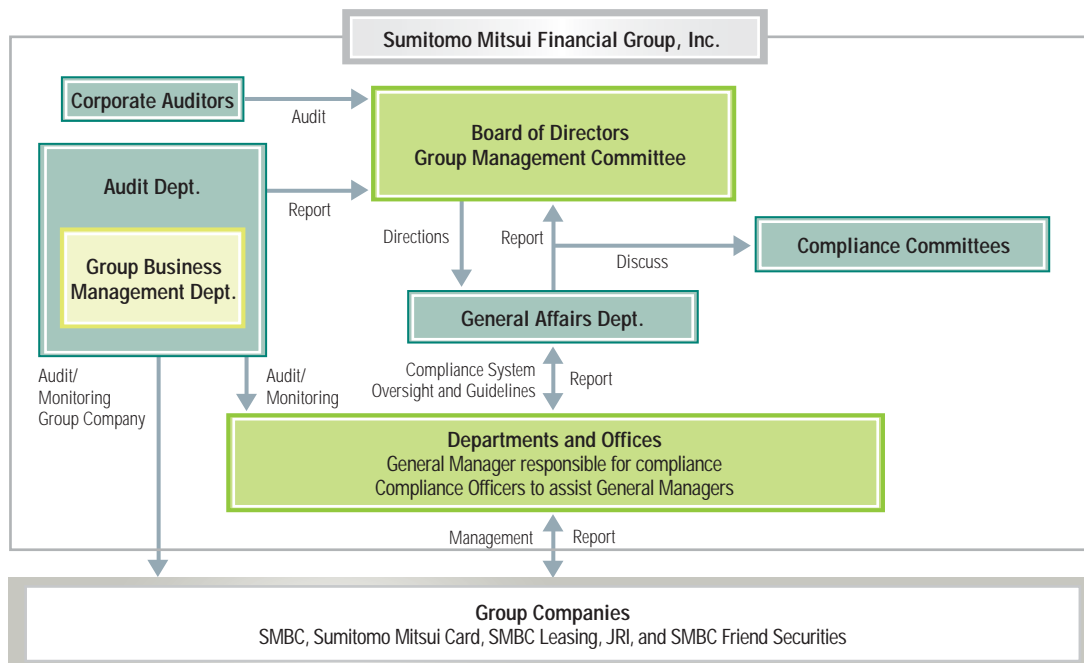
Specific activities include holding regular meetings that are attended by representatives of Group companies, as well as meetings with individual companies, with the objective of overseeing

the state of autonomously implemented compliance functions at those companies. The three main important areas for strengthening oversight in fiscal 2008 are (a) the actual monitoring of activities at Group companies; (b) ensuring strict observance of Japan's Anti-Monopoly Law; and (c) strengthening measures to control conflicts of interest.

Improvements in Monitoring Activities

As revisions are made in finance-related laws, such as Japan's Financial Instruments and Exchange Act, close attention to regulations and actions taken is even more important than in the past for ensuring compliance. As a consequence, careful monitoring is needed for the early identification of signs of emerging problems and for taking corrective action.

Accordingly, SMFG has prescribed methods for monitoring activities of Group companies in its *Compliance Manuals for Group Companies* as well as procedures for supervising and auditing the implementation of these activities. By taking these measures SMFG is working to strengthen its compliance systems through improvements in monitoring activities.



Compliance at SMBC

Strengthening Compliance Systems

Compliance with laws, regulations, and other social standards is a basic requirement for corporations in general. Especially for banks, compliance is a particularly important issue because of their public mission and social responsibilities as key players in the financial system and socioeconomic infrastructure.

SMBC, in line with the basic policy of SMFG, requires all its management and staff to assign the highest value to maintaining people's trust, abiding by relevant laws and regulations, upholding high ethical standards, and acting fairly and sincerely. SMBC, therefore, positions maintaining high standards of compliance as one of its most important management priorities.

Management of the Compliance System

SMBC adopts a basic, two-tiered structure to ensure compliance. First, each department and office is held individually responsible for making before the fact decisions that ensure its conduct complies with laws and regulations. Second, an independent, Internal Auditing Unit conducts rigorous audits of department and branch compliance.

To maintain this two-tiered structure and ensure it is operating effectively, the Compliance Unit, which includes the General Affairs Department and the Legal Department, plans and implements systems and system improvements to secure compliance, acting under directions from management. The Compliance Unit also provides guidance and conducts monitoring activities regarding the activities of all departments and branches, and assists departments and branches make compliance decisions.

The framework of SMBC's compliance system is shown in the diagram at the bottom of this page. To ensure that this framework functions effectively, SMBC also engages in the activities described in the following paragraphs.

Issuance of a Compliance Manual

To assist management and staff in choosing proper courses of action, SMBC has prepared its *Compliance Manual* containing 60 principles for action that provide objectives and guidance. This manual has been approved by the Board of Directors, and all management and staff have been fully apprised of its contents.

Preparation of Compliance Programs

With the objectives of ensuring that compliance systems function effectively and making necessary improvement in compliance systems within SMBC and its consolidated subsidiaries, the Board of Directors prepares a specific plan for compliance-related activities each fiscal year, including review and necessary revisions of regulations and training. In fiscal 2008, activities in progress include implementing measures for upgrading and increasing the effectiveness of various monitoring activities, strengthening the functions of compliance officers, continuing the various measures related to revisions in the Financial Instruments and Exchange Act, changes in the regulations for the sale of insurance products through bank branches, and strengthening systems, education, and training, as well as the monitoring of compliance.

Appointment of Compliance Officers

In addition to the compliance officers appointed within the bank's departments and branches, we have appointed Area Compliance Officers, who are independent from frontline departments, within certain of our business units including the Middle Market Banking Unit and the Consumer Banking Unit. These officers are responsible for directing and overseeing compliance regarding transactions carried out by the staff of our branches and other frontline offices.

Formation of the Compliance Committee

To ensure that compliance issues related to various operations within the bank are reviewed and discussed comprehensively, we have formed the Compliance Committee, which has members drawn from across the organization. This committee is chaired by the director responsible for compliance issues and includes the heads of relevant departments. To enhance the fairness and objectivity of the committee's deliberations, outside members also participate in the Compliance Committee meetings.

Overview of SMBC's Compliance System

